BC Assessment

2002-2004
Service Plan
February 2002

We Value BC

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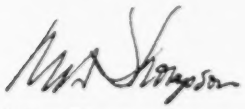
February 19, 2002

The Honourable Stan Hagen
Minister of Sustainable Resource Management
Legislative Buildings
Victoria, British Columbia V8V 1X4

Dear Minister:

On behalf of the Board of Directors, I have the pleasure to submit BC Assessment's 2002-2004 Service Plan.

This plan fulfills our obligation under the *Budget Transparency and Accountability Act* to provide a service plan with performance measures.



Mike Thompson
VICE CHAIR

VISION We will be the leading property assessment organization internationally and the first choice for property information in British Columbia.

MISSION We produce uniform property assessments that form the basis for local and provincial taxation while providing information to assist people when making real estate decisions.

VALUES We are guided by our commitment to:

- QUALITY in our products, services, and work life;
- ACCOUNTABILITY for our actions and results;
- SERVICE that is responsive and sensitive; and
- TEAMWORK in working together as one team and partnering with our clients.

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PRODUCT QUALITY AND UNIFORMITY:
Our products will be of the highest quality and uniform throughout the province.

CUSTOMER SERVICE AND COMMUNITY RELATIONS:
We will provide a level of service that exceeds our customers' expectations and help strengthen the communities we serve.

FISCAL RESPONSIBILITY:
The average per property cost for assessment services will be reduced for the taxpayer.

HUMAN RESOURCES LEADERSHIP: We will foster a climate that encourages professional development, continuing corporate success, and commitment to our shared vision.

OBJECTIVE - Service Delivery: BC Assessment will provide significant opportunities for service delivery while ensuring our products will be of the highest quality and uniform throughout the province. 14

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Introduction

BC Assessment appeared before the Core Review and Deregulation Task Force on November 13, 2001. The Core Services Review is a comprehensive and rigorous examination of all programs and activities. Its overarching objective is to identify and to confirm the government's core roles and responsibilities. In addition, the Task Force identifies ways to improve the delivery of government services in the interests of taxpayers.

Through this Core Services Review, BC Assessment has developed the following Service Plan. BC Assessment created this Plan by considering our contributions to British Columbia's economic and social development.

Corporate Overview

BC Assessment is a provincial Crown corporation established in 1974 to produce and maintain assessments that are uniform throughout the whole of British Columbia. The Board of Directors provides policy direction and performance review, while valuation and operational matters are the responsibility of the Chief Executive Officer and Assessment Commissioner.

BC Assessment's responsibilities are set out in two acts: the *Assessment Authority Act* and the *Assessment Act*. The *Assessment Authority Act* establishes BC Assessment as a corporation. This *Act* also provides for the appointment of a Board of Directors, Assessment Commissioner, and the funding of BC Assessment by property tax. The *Assessment Act* establishes the rules under which assessment rolls must be created. This *Act* also sets out the appeal process.

BC Assessment's core function is to establish and maintain uniform real property assessments throughout the province, using current market data as a guide. BC Assessment must also classify all real property according to use, produce the annual assessment roll and send assessment notices to all real property owners. The assessment roll contains the actual value (estimated market value) of the land and improvements as well as the use classification and taxability of over 1.6 million properties. For some properties the assessment roll contains values determined in accordance with prescribed rates and manuals approved by the Assessment Commissioner and regulations. Examples include farm land and major industrial property manuals.

A critical element of the system is that BC Assessment operates independently of the jurisdictions in British Columbia, including the provincial government, that levy property taxes.

BC Assessment currently employs approximately 689 staff in 25 offices throughout British Columbia. The organization currently consists of 22 assessment areas with assessment offices located throughout the province, and a Head Office in Victoria containing the following divisions to support the assessment offices – Corporate Services, Valuation Support, Valuation Policy, Standards, and Community Relations and Marketing.

Products and Services

BC Assessment's products and services are relied upon by British Columbia's citizens, their provincial, municipal, and regional governments, and other public bodies that generate real property tax revenue, including improvement districts, hospital boards, schools, and BC Transit. Property assessments form the basis of distributing property tax for 1,916 different taxing jurisdictions in British Columbia.

The assessment rolls provide an independent, fair and equitable tax base from which local governments and the provincial government raise $4 billion annually in property taxes. Of this money, $2.3 billion is collected for local government and $1.7 billion is collected for schools and provincial general revenue. Property tax provides between 40 and 60 percent of funding for local governments and approximately 30 percent of funding for schools.

Annual Assessment Rolls

The assessment rolls contain the legal description, ownership, assessed value, use classification, and other details for every property in British Columbia. There are four types of rolls:

- *The Completed Roll*: this is completed by BC Assessment and approved by the Assessment Commissioner in December of each year for taxation in the following year;
- *The Authenticated Roll*: this includes amendments made by the Property Assessment Review Panels during February and March;
- *The Supplementary Rolls:* these contain changes and corrections to the Authenticated Roll, and are issued between April and December; and
- *The Grant Rolls:* these contain the assessed value of properties that are exempt from property taxation, such as government properties, schools, and hospitals. They are produced annually and provided to exempt property owners and municipalities, and often provide a foundation for grants in lieu of property taxes.

Assessment Notices

BC Assessment provides each real property owner with a notice of assessed value of land and improvements. Over 1.6 million assessment notices are sent by mail by December 31st of each year.

For the majority of properties, the assessment is the estimation of a property's market value as of July 1st each year. This means that assessment notices mailed in December of each year reflect the value six months earlier.

Community and Social Initiatives

BC Assessment provides community and social initiatives in British Columbia through consultation with local governments and other stakeholders and through the review of all of its operations for social and environmental impacts.

First Nations Assessment Rolls

BC Assessment provides assessment rolls on a contract basis to 48 of the 51 First Nations that have authority to establish independent real property taxation systems.

Statutory Reports

These reports provide value summaries for specific taxation purposes, such as funding for school districts, regional districts, local areas, and hospital and transit services.

Commercial Products and Services

BC Assessment provides several products and services available for a fee. These include access through BC OnLine to the published assessment roll, provision of bulk electronic assessment rolls, sales data and residential inventory data, custom reports, and professional consulting services.

Communications

Improving communication is an important key to the relationship between BC Assessment and our stakeholders, as well as an important operational issue between offices and departments. BC Assessment provides information to the public through the internet by a home web page (www.bcassessment.bc.ca); by support for CivicInfo BC (www.civicinfo.bc.ca), which is a comprehensive local government information sharing site; through inclusion of assessment information on BC OnLine (www.bconline.gov.bc.ca); and through various publications and reports. Information on property assessments is provided in several languages on request at all the Area Offices throughout the province.

Review Process

BC Assessment advances the broad public interest by ensuring that the assessment roll accurately represents values and therefore provides an equitable basis for property taxation. Fairness is a hallmark for BC Assessment employees in their service to the community.

Property owners who question the accuracy or fairness of their assessment often resolve these issues by meeting with staff at BC Assessment's local offices. If issues are not resolved, property owners may seek a review by independent tribunals. The first level of appeal is to the Property Assessment Review Panel. The second level of appeal is to the Property Assessment Appeal Board. These appeal tribunals, which are administered by the Ministry of Community, Aboriginal and Women's Services, are independent of BC Assessment and the taxing jurisdictions. Higher courts hear appeals based on matters of law.

Planning Context and Key Strategic Issues

Changing Stakeholder Expectations

BC Assessment's stakeholders are continually increasing their expectations for products, services, and assessment roll quality. Local governments, taxpayers, and commercial stakeholders are placing higher demands on the assessment roll with regard to uniformity, consistency, and accuracy. The provincial government has increasing expectations and requirements of Crown corporations. For BC Assessment, these include reporting its financial responsibilities, overview of strategic planning and performance monitoring and making these documents available to the public, and advancement of broader social, environmental, and economic development objectives. In meeting these expectations, BC Assessment must maintain the independence of the assessment function.

Demographics and Succession Planning

The population demographics for British Columbia indicate an aging population. This is reflected in the workforce of BC Assessment and over the next five years a large number of staff will be retiring. The projected number of retirements creates several important challenges and opportunities and highlights the need for the current succession program.

Changing Staff Expectations

In today's workplace, employees expect meaningful work, empowerment, positive leadership, and growth in learning. There is also a continuing expectation for a flexible work environment. BC Assessment will fulfill these expectations through progressive human resources initiatives.

Financial Constraints

Given the fact that BC Assessment is reliant on property taxation revenues for the largest part of its revenues, BC Assessment is subject to fiscal constraints and must become increasingly more efficient and cost-effective in its operation. The number of properties that must be assessed annually will continue to grow. BC Assessment is committed to reducing its reliance on taxpayers through implementing cost-effective operations and marketing initiatives.

Training and Staff Development

The changing expectations of our stakeholders require staff training that is high in quality, provides mentoring and support, is timely, and is effective. The training plan provides the direction for current and future training needs at BC Assessment. BC Assessment will promote leadership in staff development to fulfill its current and future training needs.

Technology

Technological change is continuing to impact the assessment field. It is creating opportunities for greater efficiency as well as challenges in terms of capital costs and staff training. Our current legacy information system is not flexible enough to meet the current and future operational and marketing needs. A new information system will be implemented during the life of this plan.

Managing Change

Change is the norm in today's world. BC Assessment is addressing change, both internally and externally, through leadership in strategic direction as presented through BC Assessment's 2002-2004 Service Plan and includes service delivery models; E-commerce and access to information; partnerships, links, and shared services; self-reporting of information; plain language legislation; and a streamlined, integrated, and efficient appeal system. Major initiatives in these objectives include implementing the Operational Review, planning and implementing a new information system, introducing Continuous Improvement Measures, providing succession planning and implementation, creating educational programs, and reviewing and implementing valuation policy. BC Assessment will also manage change with our external stakeholders through partnerships with local governments and clients.

Community Relations and Marketing

Increasingly, BC Assessment will need to be competitively minded and flexible in order to develop more partnership opportunities in today's market. BC Assessment has put in place an executive management structure to enhance community relations and marketing.

First Nations Issues

First Nations of British Columbia are assuming property taxation responsibilities traditionally provided by the provincial and local governments. As property taxation becomes increasingly important, opportunities will be created for BC Assessment to strengthen and expand its relations with First Nations. Services that can be provided include consultation, assessment, and related products.

Information Transparency

Our stakeholders must have confidence in the products and services that we provide. Access to information is an important key to the relationship between BC Assessment and our clients, as well as an important operational issue between offices and departments. BC Assessment is committed to providing quality information to our stakeholders.

Goals, Objectives, Performance Measures, and Targets

To fulfill our mandate and to reach our vision, BC Assessment has established four key goals:

PRODUCT QUALITY AND UNIFORMITY: *Our products will be of the highest quality and uniform throughout the province.*

CUSTOMER SERVICE AND COMMUNITY RELATIONS: *We will provide a level of service that exceeds our customers' expectations and help strengthen the communities we serve.*

FISCAL RESPONSIBILITY: *The average per property cost for assessment services will be reduced for the taxpayer.*

HUMAN RESOURCES LEADERSHIP: *We will foster a climate that encourages professional development, continuing corporate success, and commitment to our shared vision.*

From these goals, six objectives, or strategic directions, were developed.

- Service Delivery
- E-commerce and Access to Information
- Partnerships/Links/Shared Services
- Self-reporting of Information
- Plain Language Legislation
- Streamlined, Integrated, and Efficient Appeal System

Within each objective, BC Assessment has established targets from 2002 through the year 2004. Over this time frame, BC Assessment will consider what is working, what is not, and where limited resources can be utilized in the most relevant and effective manner. This requires a focus on results. Targets have therefore been established to track progress and to indicate when results meet planned objectives. Performance measures have been developed to measure the quality of the assessment roll. These are the median *Assessment-to-Sales Ratio*, the *Coefficient of Dispersion*, and the *Price-Related Differential*. These measures form the basis for evaluation of the critical performance targets (see Appendix A for an explanation of these performance measures).

OBJECTIVE - SERVICE DELIVERY : BC Assessment will provide significant opportunities for service delivery while ensuring our products will be of the highest quality and uniform throughout the province.

Target – By 2004, BC Assessment will develop improvement plans for implementation of:

- inventory collection;
- application of regulated rates to major industrial properties;
- application of regulated rates to continuous structures;
- application of regulated rates to farms and forests;
- research; and
- support services.

Target – The median Assessment-to-Sales Ratio for the residential assessment roll in British Columbia will be 97 per cent.

Target – The Coefficient of Dispersion for the provincial assessment roll will be less than 10 per cent for homogeneous residential regions and less than 15 per cent for heterogeneous residential regions.

Target – The Price-Related Differential will be between 0.98 and 1.03 for residential properties.

Target – By the end of 2002, BC Assessment will benchmark its operational and assessment processes, costs, and quality against other public and private organizations, and will implement changes that will result in continuous improvements.

Target – Commencing in 2002, the responsibility for major property types will be shifted to specialized teams.

Target – Commencing in 2002, the efficiencies identified in the Operational Review process will be implemented.

Target – By the end of 2004, accommodation efficiencies will be implemented.

Target – Commencing in 2002, staff will be reduced from 689 to 550 full time equivalent positions.

OBJECTIVE - E-COMMERCE AND ACCESS TO INFORMATION:
BC Assessment will meet our customers' needs by providing greater electronic access to data, sharing data with partners, and enhancing the analysis of data.

Target – By the end of 2003, BC Assessment will implement advanced measurement programs to ensure uniformity of assessment data/information.

Target – By the end of 2004, BC Assessment will implement key components of the new information system that will include:

- ensuring public access to electronic data through the Internet;
- providing a valuation system that enables analysis; and
- providing integration with geographical information systems.

OBJECTIVE - PARTNERSHIPS/LINKS/SHARED SERVICES:
BC Assessment will enhance links and partnerships leading to greater efficiencies.

Target – Commencing in 2002, greater links and partnerships within the local, First Nations, and provincial governments leading to more efficient and more accurate valuation information will be developed.

Target – Commencing in 2002, BC Assessment will share or partner support services.

Target – By 2004, non-tax revenues for BC Assessment will be increased to $5 million.

OBJECTIVE - SELF-REPORTING OF INFORMATION:
BC Assessment will encourage property owners to access their data and input information directly to our system.

Target – Commencing in 2003, property owners will have access to our systems for updating their property information.

OBJECTIVE – PLAIN LANGUAGE LEGISLATION:
BC Assessment will recommend to government changes to assessment legislation that are clear, concise, and simplified.

Target – By the end of 2003, BC Assessment will make recommendations to rewrite the *Assessment Act* and Regulations to clarify and simplify the Act's wording so that it is better understood by all taxpayers.

OBJECTIVE – STREAMLINED, INTEGRATED, AND EFFICIENT APPEAL SYSTEM: BC Assessment will recommend to government changes to the appeal system that streamline the appeal process while protecting the rights of the taxpayers to appeal their property tax assessments.

Target – Each year, 98 per cent of residential assessments will be accepted without referral by the public to the Property Assessment Review Panel.

Target – Each year, 95 per cent of non-residential assessments will be accepted without referral by the public to the Property Assessment Review Panel.

Target – During 2002, direction from government with regard to streamlining the appeal process will be implemented.

Target – By the end of 2004, BC Assessment will reduce its internal costs spent on complaints and appeals by $2 million from the 2001 level.

Summary Financial Outlook

The following table gives the high level financial revenue and expenses for 2002, as well as key forecast assumptions and risks. The financial revenue and expenses for 2003 and 2004 are dependent on the Core Services Review direction and implementation, and this cannot be reported at this time.[1] The Service Plan for 2003-2005 will allow for a complete three-year summary financial outlook.

Summary Financial Outlook for the 2002-2004 Service Plan

($ thousands)	2002 Budget
REVENUE	
Tax Levies	61,205
Federal Grants in Lieu of Taxes	840
First Nations	390
Interest Income	450
Marketing Services and Other	2,615
TOTAL REVENUE	**65,500**
EXPENDITURES	
Salaries and Related Expenses	44,848
Accommodation	4,771
Travel	2,276
Office and Interest	3,547
Professional and Special Services	8,196
Amortization of Capital Assets	1,862
TOTAL EXPENDITURES	**65,500**
Excess (Deficiency) of Revenue over Expenditures	-

[1] Please refer to the "Guidelines for Government Organizations Service Plans" December 2001, p.8-9 and the *Freedom of Information and Protection of Privacy Act, Section 17.*

Key Assumptions (The forecast risks and sensitivities are included in the planning context and key strategic issues section.)

- December 31 fiscal year end
- Continue to exceed the International Association of Assessing Officers standards for assessment roll quality. These performance measures are Assessment-to-Sales Ratio, Coefficient of Dispersion, and Price-Related Differential.
- Continue to exceed our stakeholders' expectations for service
- Continue to fund the complaint and appeal process
- Change assessment legislation
- Levy adjusted annually not to exceed revenue forecasts (tax levy adjusted downward with increasing residual from marketing revenue)
- Commence staff downsizing in 2002 to meet target of 550 FTE by 2004
- Reduce Internal Costs
- New Information System, funded by appropriated retained earnings and future earnings, is not included in the above financial summary

Appendix A

Assessment Roll Quality Measures

The most important and widely accepted statistical measures of the quality of the assessment roll are the median *Assessment-to-Sales Ratio* (ASR), the *Coefficient of Dispersion* (COD) and the *Price-Related Differential* (PRD). These form the basis of the critical performance targets.

The reliability of these measures is founded on the records as provided by the Land Title Office. The results compare the market value transactions as registered in the Land Title Office against the actual value as determined by the appraisers in BC Assessment.

i. Assessment-to-Sales Ratio

The ASR is calculated by dividing the actual value (as determined by BC Assessment) of a property that has sold by its selling price, and expressing the result as a percentage. For example, if BC Assessment assessed a property with a value of $243,000, and it sold for $250,000, the ASR would be 97.2 per cent.

The International Association of Assessing Officers (IAAO) has set a standard for a median ASR of 90 per cent to 110 per cent for an acceptable level of assessment achievement. BC Assessment's target of 97 per cent exceeds this standard.

ii. Coefficient of Dispersion

The COD measures how closely a group of numbers is clustered around its median, or middle number. The lower the COD, the better quality the product.

The COD standard set by the IAAO for single family residential properties is under 15 per cent for homogeneous regions and under 20 per cent for heterogeneous regions. BC Assessment has set targets of under 10 per cent and under 15 per cent respectively.

iii. Price-Related Differential

The PRD measures the progressivity or regressivity of assessments. Assessments are said to be regressive if high-value properties are under-appraised relative to low-value properties, and progressive if high-value properties are over-appraised relative to low-value properties. Significant progressivity or regressivity results in inequitable distribution of the tax burden. A good quality assessment roll should show no sign of regressivity or progressivity.

The IAAO standard for the PRD is between 0.98 and 1.03. A PRD under 0.98 indicates progressivity; over 1.03 indicates regressivity. BC Assessment has adopted the IAAO standard for the PRD.

iv. 2002 Authenticated Assessment Roll Results

The following table summarizes the provincial results for single family residential properties. These properties represent 58.0% of the parcels in BC and 52.9% of the market derived value on the Assessment Roll.

For the province, from April 1, 2001 until September 30, 2001, 96.0% of sales value was captured on the Assessment Roll ($9.172 billion actual value/$9.558 billion sales prices).

Roll Quality – 2002 Completed Roll

SINGLE FAMILY RESIDENTIAL PROPERTY

JURISDICTION TYPE	SALES (APR-SEPT)	MEDIAN ASR	COD	PRD
All Jurisdictions	27,711	96.6%	5.4%	1.008
City	16,079	96.7%	5.1%	1.006
District	7,729	96.4%	5.2%	1.010
Town	876	97.0%	5.7%	1.008
Village	408	96.8%	7.3%	1.020
Rural	2,619	96.3%	7.7%	1.017

VERTICAL ANALYSIS

CATEGORY	SALES (APR-SEPT)	MEDIAN ASR	COD	PRD
Low End Housing (Manual class: 030s to 060s and 080s to 090s)	8,975	96.7%	6.2%	1.010
Mid Range Housing (Manual class: 140s and 150s)	17,827	96.5%	5.0%	1.006
High End Housing (Manual class: 070s, and 160s and above)	882	96.0%	5.8%	1.010